

Tax Rates as of 7-1-2005

Type of Production	Working Interest	Nonworking Interest	Reporting Schedule
Natural Gas			
Primary Recovery Production			
First 12 months of production	0.76%	15.06%	NG-INCENTIVE
Pre-1999 wells after incentive period	15.06%	15.06%	NG-PRE99
Post-1999 wells after incentive period	9.26%	15.06%	NG-POST
Stripper wells (averaging < 60MCF/day)			
Pre-1999 wells	11.26%	15.06%	NG-PRE99
Horizontally completed well production			
First 18 months of qualifying production	0.76%	15.06%	NG-INCENTIVE
Oil			
Primary recovery production			
First 12 months of production	0.76%	15.06%	O-INCENTIVE
Pre-1999 wells after incentive period	12.76%	15.06%	O-REG
Post-1999 wells after incentive period	9.26%	15.06%	O-REG
Stripper wells			
pre-1999 & post-1999 first 1-10 bbls stripper oil (West Texas intermediate > \$30 a barrel)	5.76%	15.06%	O-STRIP
pre-1999 & post-1999 over 10 bbls stripper oil (West Texas intermediate > \$30 a barrel)	9.26%	15.06%	O-STRIP
pre-1999 & post-1999 stripper well exemption (West Texas intermediate < \$54 a barrel)	0.76%	15.06%	OSTR-X3
pre-1999 & post-1999 stripper well bonus (West Texas intermediate >= \$54 a barrel)	6.26%	15.06%	OSTR-X3
Horizontally Drilled			
pre-1999 & post-1999 wells first 18 months	0.76%	15.06%	O-INCENTIVE
Incremental Production			
New or expanded secondary recovery production	8.76%	15.06%	ENH-INCR
New or expanded tertiary production	6.06%	15.06%	ENH-INCR
Horizontally recompleted well			
pre-1999 & post-1999 wells first 18 months (on incremental production)	5.76%	15.06%	ENH-INCR